

# **PUBLIC DISCLOSURE**

**October 26, 2009**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of New England  
24540**

**31 Pelham Road  
Salem, New Hampshire 03079**

**Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, New York 10118**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of New England** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **October 26, 2009** agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated: **Satisfactory.**

The Lending Test is rated: **Satisfactory.**

The Community Development Test is rated: **Satisfactory.**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test; the bank achieved satisfactory performance ratings under each test. A summary of the bank's performance is provided below:

### **Lending Test**

- The average loan-to-deposit ratio was more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of the bank's home mortgage and small business loans were extended within its delineated assessment area.
- Overall, the geographic distribution of small business and home mortgage loans reflected a reasonable dispersion throughout the assessment area. While the bank's small business percentages are comparable with the percentage of businesses operating in the respective census tract categories, the bank must remain cognizant of its relatively low lending volume in the Massachusetts portion of its assessment area.
- The distribution of loans by businesses of different sizes and individuals of different income levels reflected a reasonable penetration, considering the demographics of the assessment area.
- There were no CRA-related complaints received during the examination period. There was no evidence of discriminatory acts or practices detected during a fair lending review.

### **Community Development Test**

- The bank's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area, through the provision of community development loans, qualified investments, and community development services.

## **SCOPE OF EVALUATION**

An onsite evaluation was conducted utilizing Intermediate Small Institution CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (FFIEC).

Small business loans originated in 2007, 2008, and 2009 (through September) were included in the analyses. Small business loans, for the purposes of this evaluation, include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less that are disclosed on the bank's Consolidated Report of Condition and Income. Information concerning small business loans was obtained utilizing bank records. Please note that as the bank does not report its small business data, comparisons with aggregate data was not performed.

Home mortgage loans originated in 2007, 2008, and 2009 (through June) were also included in the analyses. Under the CRA, a home mortgage loan is considered to be a home improvement, home purchase, or refinancing of a dwelling-secured loan. Home mortgage loans were reported, pursuant to the Home Mortgage Disclosure Act (HMDA) reporting requirements, using the Loan Application Register (LAR). Please note that the bank's residential lending performance was compared with the 2007 aggregate data. At the time of this evaluation, the 2007 aggregate data was the most recent data available.

Although both the number and dollar volume of the bank's small business and home mortgage loans were reviewed, the number of originations was weighed more heavily than the dollar volume. This is because the number of loans is less likely to have been influenced by factors such as business size, applicant income level, or by varying housing values within its assessment area. If dollar volume was emphasized, higher income borrowers or geographical areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be larger. Additionally, small business and home mortgage loan originations include loans that were purchased by the bank.

The 2007 and 2008 lending data is presented in table formats followed by brief narrative commentary. The 2009 activity is discussed generally in the narrative and denotes any significant trends, as applicable. Small business loans were weighed significantly more than home mortgage loans, as they comprised a substantial majority of the loan portfolio during the evaluation period. Since September 2009, home mortgage loans were not widely promoted and since then have been normally originated as an accommodation to established commercial customers.

Qualified community development loans and services were generally reviewed from October 30, 2006 to the current examination date of October 26, 2009. Qualified investments were reviewed from January 1, 2007 to the current examination date, as this was how the data was presented by bank management. Consumer and small farm loans were not evaluated.

The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate analyses and conclusions of CRA performance in metropolitan statistical areas (MSAs) where the bank maintains branch offices. The bank operates in the Manchester-Nashua, New Hampshire MSA and the Boston-Cambridge-Quincy, Massachusetts-New Hampshire MSA (includes three

Metropolitan Divisions, or MDs), both of which are within the Boston, Massachusetts Consolidated Metropolitan Statistical Area (CMSA). This CRA evaluation assessed performance based on the bank's efforts in its entire assessment area consisting of 159 census tracts. However, to satisfy the requirements of the IBBEA, a very brief discussion of the bank's performance in the Boston, Massachusetts CMSA will also be presented. The CMSA consists of 157 census tracts, only excluding 2 upper-income census tracts located in Hooksett, New Hampshire (a non-MSA segment of the bank's assessment area).

Additionally, the IBBEA mandates that separate CRA ratings be assigned to the bank's CRA performance in New Hampshire and Massachusetts. Further, Section 109 of the IBBEA prohibits the establishment of a branch outside of a bank's home state primarily for the purpose of deposit production. Therefore, an analysis of the loan-to-deposit ratios for the State's of New Hampshire and Massachusetts were conducted to assess the sufficiency of the lending activity in each State.

The CRA Public Evaluation is provided in the following format: (1) an assessment of the bank's overall performance in serving the credit needs of its entire assessment area; (2) a brief evaluation the bank's performance in serving the credit needs of the MSAs that are within the Boston, Massachusetts CMSA; (3) an evaluation and assignment of ratings relative to the bank's performance in serving the credit needs of the New Hampshire assessment area; and (4) an evaluation and assignment of ratings relative to the bank's performance in serving the credit needs of the Massachusetts delineated assessment area.

Unless otherwise noted, demographic data referenced throughout the evaluation was obtained from the 2000 United States (U.S.) Census.

## DESCRIPTION OF INSTITUTION

Bank of New England (BNE) is a New Hampshire chartered, commercial bank established in June 1983 and headquartered in Salem, New Hampshire. In addition to the main office located at 31 Pelham Road, BNE operates five branch offices located in the counties of Hillsborough and Rockingham in New Hampshire, and three offices located in Essex County in Massachusetts. The New Hampshire office locations, inclusive of the main office, are Salem, Londonderry, Windham, Bedford, Manchester, and Nashua. The Massachusetts office locations include Andover, Haverhill, and Methuen. A total of three branch offices are located in moderate-income census tracts in Haverhill, Manchester, and Nashua. A total of three offices are located in middle-income census tracts and three offices are located in upper-income census tracts. The Haverhill and Methuen offices were opened since the previous CRA evaluation. There were no branch offices closed during the evaluation period. All bank offices are considered full-service branches, with all offices equipped with Automatic Teller Machines (ATMs) and drive-up facilities.

BNE's primary focus is providing products and services for its commercial customers. The bank also offers a selection of deposit, loan, and special services geared toward its business, commercial, and municipal customers. A variety of checking, savings, and certificate of deposit account products are available. Financing for business and commercial customers includes, but is not limited to, short-term and revolving working capital loans, equipment financing, commercial real estate loans, government guaranteed loans, collateralized business lines of credit, and construction and development loans. The bank also offers remote deposit capture cash management services.

BNE offers its retail customers various deposit services such as savings, checking, and retirement accounts. In terms of credit services, the bank extends certificate of deposit and savings account-secured loans. The preceding list of products and services is not intended to be all-inclusive.

BNE has total assets of approximately \$468 million, as of June 30, 2009. Assets decreased approximately \$10.7 million, or 2.2 percent, since December 31, 2006. The reduction is attributable to a reduction in the bank's investment portfolio. As of December 31, 2006, net loans totaled approximately \$358 million and represented 74.8 percent of total assets. Currently, net loans total approximately \$418 million and comprise 89.3 percent of total assets. Net loans increased \$60 million or 16.7 percent since December 31, 2006.

Table 1 illustrates the current distribution of the bank's loan portfolio.

<b>Table 1 - Loan Distribution as of June 30, 2009</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	106,838	25.6
1-4 Family Residential	23,687	5.7
Multi-Family (5 or more) Residential	39,572	9.5
Commercial Real Estate	211,302	50.6
<b>Total Real Estate Loans</b>	<b>\$381,399</b>	<b>91.4</b>
Commercial and Industrial	41,718	10.0
Consumer	406	0.1
Other	206	(negligible)
Less: Unearned Income; LN and LS Allowance	(4,774)	(1.1)
Less: Leases	(1,301)	(0.4)
<b>Total Loans</b>	<b>\$417,654</b>	<b>100.0</b>

Source: Consolidated Report of Condition and Income (Call Report)

As depicted in Table 1, the bank is primarily a commercial and residential real estate lender with approximately 91.4 percent of the loan portfolio secured by commercial and residential real estate. Another 10.0 percent of the portfolio is comprised of commercial and industrial loans. These business loans are unsecured or are secured by assets other than real estate. The remainder of the portfolio consists of consumer loans and other type loans.

BNE operates in an extremely competitive lending market. There are numerous financial institutions maintaining offices within the bank's assessment area. Competition includes loan production offices, banks, mortgage companies, credit unions, and other entities seeking home mortgage and small business loans in this market. Larger regional and national banks such as RBS Citizens, NA; TD Banknorth, NA; Sovereign Bank; and the Bank of America, NA have a presence within the bank's assessment area and contribute to the high level of competition for banking customers. The most similar financial institutions in terms of size, lending focus, and market areas served are Centrix Bank & Trust (Bedford, New Hampshire) and RiverBank (North Andover, Massachusetts). Other competitors include Hampshire First Bank (Manchester) and The Nashua Bank (Nashua, New Hampshire).

In 2007, 130 lenders reported 161,330 small business loans totaling \$3.3 billion within the bank's assessment area (defined under *Description of Assessment Area* in subsequent section). In 2007, 434 lenders reported 27,082 home mortgage loans totaling \$5.4 billion within its delineated assessment area.



There are no financial or legal impediments that would limit or impede the bank's ability to help meet the credit needs of its assessment area. BNE's ability to meet the community's credit needs remains positive, based on its asset size, product offerings, and branch network.

The bank received a CRA rating of *Satisfactory*, as a result of the previous FDIC CRA Performance Evaluation, conducted October 30, 2006. The preceding rating is indicative of a satisfactory record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank was also evaluated as an *Intermediate Small Institution* at the prior evaluation.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The CRA requires a financial institution to define an assessment area, or areas within which it will concentrate its lending efforts. BNE has delineated a contiguous assessment area that comprises portions of Hillsborough; Rockingham; and Merrimack Counties in New Hampshire. In Massachusetts, the assessment area comprises portions of Essex and Middlesex Counties. With the exception of two upper-income, non-MSA, census tracts located in Hooksett, New Hampshire, the remainder of the delineated assessment area is contained within the Boston, Massachusetts CMSA.

The Essex County portion (60 census tracts) of the assessment area is located in the Peabody, Massachusetts MD (37764), and the Middlesex County portion, consisting of 14 census tracts, is located in the Cambridge-Newton-Framingham, Massachusetts MD (15764). The Rockingham County portion of the assessment area, consisting of 18 census tracts, is located in the Rockingham County-Strafford County, New Hampshire MD (40484). The Hillsborough County portion of the assessment area, consisting of 65 census tracts, is located in the Manchester-Nashua, New Hampshire MSA (31700). The Merrimack County portion of the assessment area, consisting of 2 census tracts is located in the non-MSA portion of New Hampshire. The entire assessment area consists of 159 census tracts.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

As noted previously, the IBBEA requires separate analyses and conclusions of CRA performance in MSAs where the bank maintains branch offices. This CRA evaluation assessed performance based on the bank's efforts in its entire assessment area. However, to satisfy the requirements of the IBBEA, a brief and separate discussion of the bank's performance in the Boston, Massachusetts CMSA is also presented. Subsequently, a separate analysis and assignment of CRA ratings was conducted relative to the State's of New Hampshire and Massachusetts.

Table 2 provides a list of 30 municipalities that comprise the bank's current assessment area.

Table 2 - Assessment Area Municipalities			
Lawrence	North Andover	Andover	Methuen
Dracut	Tewksbury	North Reading	Wilmington
Boxford	Haverhill	Merrimac	Newbury
Groveland	Hooksett	Goffstown	Manchester
Bedford	Amherst	Merrimack	Hollis
Nashua	Litchfield	Hudson	Pelham
Windham	Londonderry	Salem	Derry
Auburn	Atkinson		

To assess the bank's lending performance, consideration was given to certain demographic data about the assessment area. Table 3 highlights some of the relevant demographic data, and each is briefly discussed following the table.

<b>Table 3 – Demographic Information</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	159	8.2	20.8	46.5	24.5	0.00
Population by Geography	763,554	5.7	17.5	48.7	28.1	0.00
Owner-Occupied Housing by Geography	187,251	1.4	9.5	54.4	34.7	0.00
Businesses by Geography (2008)	61,569	5.3	16.6	47.7	30.4	0.00
Family Distribution by Income Level	199,426	18.4	17.7	24.4	39.5	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	71,900	2.8	27.7	46.0	15.5	0.00
New Hampshire non-MSA MFI (2007)	\$63,000	Median Housing Value  Unemployment Rate 2nd quarter 2009		\$161,788		
New Hampshire non-MSA MFI (2008)	\$66,200			5.9% to 8.9%		
New Hampshire non-MSA MFI (2009)	\$68,700					
31700, Manchester-Nashua, NH MSA (2007)	\$77,300					
31700, Manchester-Nashua, NH MSA (2008)	\$82,500					
31700, Manchester-Nashua, NH MSA (2009)	\$84,000					
40484, Rockingham County-Strafford County, NH MD (2007)	\$75,700					
40484, Rockingham County-Strafford County, NH MD (2008)	\$82,300					
40484, Rockingham County-Strafford County, NH MD (2009)	\$84,900					
Cambridge-Newton-Framingham, MA MD (2007)	\$88,900					
Cambridge-Newton-Framingham, MA MD (2008)	\$93,000					
Cambridge-Newton-Framingham, MA MD (2009)	\$97,100					
Peabody, MA MD (2007)	\$77,200					
Peabody, MA MD (2008)	\$78,800					
Peabody, MA MD (2009)	\$83,600					
Households Below Poverty Level	6.6%					

Source: HUD; 2000 U.S. Census data; and Bureau of Labor Statistics

### ***Geographies***

Currently, the assessment area is comprised of 159 census tracts (or *geographies*), 13 of which are categorized as low-, 33 moderate-, 74 middle-, and 39 as upper-income census tracts (percentages are depicted in Table 3).

### ***Population***

Based on 2000 U.S. Census data, the total population of the assessment area is 763,554. As detailed in Table 3, 5.7 percent of the total population resides in low-, 17.5 percent in moderate-, 48.7 percent in middle-, and 28.1 percent in upper-income census tracts.

### ***Family Distribution***

There are 199,426 families within the bank's assessment area. Table 3 illustrates the breakout of families by income level. A total of 18.4 percent are low-; 17.7 percent are moderate-; 24.4 percent are middle-; and 39.5 percent are upper-income. Table 3 also includes the breakout of low- and moderate-income families, combined (71,900), by where they reside.

### ***Median Family Incomes***

Consideration was given to the distribution of families by income level, when compared to the adjusted Median Family Income (MFI) for the Manchester-Nashua, New Hampshire MSA; Rockingham County-Strafford County, New Hampshire MD; Cambridge-Newton-Framingham, Massachusetts MD; Peabody, Massachusetts MD; and the non-MSA portions of New Hampshire assessment area. Please refer to Table 3 for further details.

MFI levels were based on annually adjusted estimates provided by the Department of Housing and Urban Development (HUD) and were determined as follows: low-income individuals are equal to or less than 50.0 percent of MFI; moderate-income persons are greater than or equal to 50.0 percent, but less than 80.0 percent of MFI; middle-income individuals are greater than or equal to 80.0 percent, but less than 120.0 percent of MFI; and upper-income individuals are equal to or greater than 120.0 percent of MFI.

### ***Housing***

Housing units within the assessment area total 288,634, of which 187,251 (64.9 percent) are owner-occupied; 93,006 (32.2 percent) are occupied rental units; and 8,377 (2.9 percent) are vacant. Please refer to Table 3 for the geographic distribution of owner-occupied housing units.

Approximately 81.5 percent of total housing units are comprised of 1-4 family dwellings, while 18.5 percent are defined as multi-family structures. Included in the preceding totals are mobile homes (1.5 percent) and vacant housing units (2.9 percent).

### ***Housing Prices***

According to the 2000 U.S. Census, the median housing value in the assessment area was \$161,788. The median home values ranged from \$113,949 in the low-income geographies to \$226,381 in the upper-income census tracts in the assessment area. More recent information obtained from the *New Hampshire Association of Realtors and City-data.com* indicated that median sales prices increased significantly since 2000. Median sales prices declined significantly in all four counties from 2008 to 2009; however, remained substantially above 2000 levels. Table 4 depicts median sales prices for the counties located within the delineated assessment area for calendar year 2009.

<b>Table 4 - Median Home Sales Prices All Counties located in the Assessment Area</b>	
<b>County</b>	<b>August 2009</b>
Hillsborough (NH)	\$240,000
Merrimack (NH)	\$207,500
Rockingham (NH)	\$263,500
Essex (MA)	\$450,000 (2nd quarter 2009)
Middlesex (MA)	\$325,000 (1st quarter 2009)

*Source: New Hampshire Association of Realtors and City-data.com*

Housing prices in the assessment area present a formidable obstacle for low- and moderate-income individuals and families striving to achieve homeownership.

### ***Housing Permits***

Total housing permits issued in the five assessment area counties experienced significant declines. Essex County experienced the largest decline at 70.2 percent. Hillsborough County experienced the smallest decline at 36.5 percent. The analytical period was from the 2nd quarter of 2008 to the 2nd quarter of 2009.

### ***Business Data***

According to 2008 Dun & Bradstreet business geo-demographic data, there are approximately 61,569 businesses operating within the bank's assessment area. When analyzed by size, 64.5 percent of all businesses have gross annual revenues (GARs) of \$1 million or less, which are considered small businesses, for the purposes of this analysis.

### ***Unemployment***

Table 5 outlines the unemployment rate of each county (as of the 2nd quarter 2009) in which the institution designated at least a portion of its assessment area.

<b>Table 5 - Unemployment Rates Assessment Area Counties</b>	
<b>County</b>	<b>2nd Quarter 2009</b>
Hillsborough (NH)	6.8%
Merrimack (NH)	5.9%
Rockingham (NH)	6.8%
Essex (MA)	8.9%
Middlesex (MA)	7.0%
State of New Hampshire	6.5%
State of Massachusetts	8.2%
United States	9.1%

*Source: Bureau of Labor Statistics*

As demonstrated in Table 5, the 2009 unemployment rates ranged from a low of 5.9 percent in Merrimack County to a high of 8.9 percent in Essex County. The table also contains the rates for New Hampshire, Massachusetts, and U.S., at 6.5 percent, 8.2 percent, and 9.1 percent,

respectively. All five counties experienced significant increases in unemployment during the noted time period.

### ***Economic Conditions***

Incomes in the assessment area were relatively stable, which helped support retail trade and healthcare; however, the housing correction continued throughout the evaluation period.

Services, trade, and the government sector were the three primary industries in the New Hampshire portion of the bank's assessment area. The largest employers in the New Hampshire portion of its assessment area were Elliot Hospital (Manchester); Fidelity Investments (Merrimack); Southern New Hampshire Health (Nashua); Liberty Mutual (Bedford); and Catholic Medical Center (Manchester).

Services, trade, and the government sector were the three primary industries in the Massachusetts portion of its assessment area during the review period. The largest employers in the Massachusetts portion of its assessment area were Alcatel-Lucent (North Andover) and Seacoast Lock & Safe Company, Inc. (Lawrence).

### **Community Contact**

As part of the evaluation process, a third party, active in community affairs, is contacted to assist in assessing the housing and business needs of the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available. One contact was conducted in association with this evaluation.

An executive director of a local non-profit organization was contacted. This party stated that their organization had a very good relationship with BNE and was very pleased with the bank's participation. The contact stated that the bank made a number of loans to their organization. Additionally, BNE provided regular cash donations over the evaluation period.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

As noted previously, the IBBEA requires separate CRA ratings for each state in which a financial institution maintains a physical presence (branch office). Further, Section 109 of the noted law prohibits the establishment of a branch outside of a bank's home state primarily for the purpose of deposit production.

Intermediate Small Institution CRA evaluation procedures were utilized to assess the bank's CRA performance. These procedures utilize two performance tests: the Lending Test and the Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, geographic distribution of loans, lending to borrowers of different incomes and businesses of different sizes (borrower profile), and the bank's record of taking action in response to CRA complaints. The Community Development Test considers the number and amount of community development loans, qualified investments, and community development services.

### LENDING TEST

#### Loan-to-Deposit Ratio

BNE's LTD ratio is considered more than reasonable. The conclusion is based on economic conditions in the assessment area, types of loan products offered, the bank's current LTD ratio, and the bank's size and financial condition. The LTD ratio is primarily utilized as a reference to determine whether an institution is lending to a reasonable degree, in terms of reinvesting deposited funds back into the community.

BNE's average LTD ratio for the preceding 11 quarters (December 31, 2006 to June 30, 2009) was 95.8 percent. The ratio experienced some fluctuations, with a low of 83.0 percent in December 2006 and a high of 101.5 percent in June 2009. Table 6 depicts the current LTD of two similarly-situated financial institutions, operating within the bank's delineated assessment area.

Table 6 – Loan-to-Deposit Ratio as of June 30, 2009				
Bank Name	Total Assets \$(000)	Net Loans \$(000)	Total Deposits \$(000)	Current Loan-to- Deposit Ratio
Bank of New England	467,903	417,654	411,470	101.5%
Centrix Bank & Trust	557,686	403,444	453,684	88.9%
RiverBank	788,112	495,347	455,735	108.7%

Source: Uniform Bank Performance Reports (UBPRs)

The ability of the bank to maintain a consistently high ratio, despite the high level of lending competition in the assessment area, as well as the deteriorating economic conditions, is considered quite good.



## Assessment Area Concentration

This performance criterion measures the percentage of the bank's lending that benefits assessment area residents and businesses and evaluates the adequacy of such lending. Overall, BNE originated a majority of its loans, by number and dollar amount, within its assessment area.

As illustrated in Table 7, the bank originated a total of 194 small business and home mortgage loans totaling approximately \$59.5 million in 2007, 2008, and 2009. Of these loans, 67.0 percent by number and 64.8 percent by dollar volume were originated within the bank's assessment area.

<b>Table 7</b> <b>Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
2007 Small Business	67	77.9	19	22.1	86	16,747	70.8	6,897	29.2	23,644
2008 Small Business	26	70.3	11	29.7	37	6,697	69.3	2,966	30.7	9,663
2009 Small Business	10	66.7	5	33.3	15	2,124	57.5	1,571	42.5	3,695
<b>Subtotal</b>	<b>103</b>	<b>74.6</b>	<b>35</b>	<b>25.4</b>	<b>138</b>	<b>25,568</b>	<b>69.1</b>	<b>11,434</b>	<b>30.9</b>	<b>37,002</b>
2007 Home Mortgage	18	75.0	6	25.0	24	8,810	79.5	2,269	20.5	11,079
2008 Home Mortgage	7	25.9	20	74.1	27	2,422	32.3	5,088	67.7	7,510
2009 Home Mortgage	2	40.0	3	60.0	5	1,739	44.7	2,151	55.3	3,890
<b>Subtotal</b>	<b>27</b>	<b>48.2</b>	<b>29</b>	<b>51.8</b>	<b>56</b>	<b>12,971</b>	<b>57.7</b>	<b>9,508</b>	<b>42.3</b>	<b>22,479</b>
<b>Grand Total</b>	<b>130</b>	<b>67.0</b>	<b>64</b>	<b>33.0</b>	<b>194</b>	<b>38,539</b>	<b>64.8</b>	<b>20,942</b>	<b>35.2</b>	<b>59,481</b>

Source: 2007, 2008, and 2009 HMDA LARs. 2007, 2008, and 2009 bank small business lending records

### Small Business Lending

As depicted in Table 7, BNE originated 67 small business loans totaling \$16.7 million inside its assessment area in 2007, representing 77.9 percent by number and 70.8 percent by dollar amount. In 2008, BNE originated 26 small business loans totaling \$6.7 million within its assessment area, representing 70.3 percent by number and 69.3 percent by dollar amount. Finally, in 2009, BNE originated 10 small business loans totaling \$2.1 million inside its assessment area, representing 66.7 percent by number and 57.5 percent by dollar amount.

As noted previously, BNE elected not to report its small business loans to the Federal Reserve Bank; therefore, a definitive analytical comparison with other financial institutions that are reporters is not possible. However, had the bank reported small business loans in 2007, it is estimated that BNE would have achieved a market share ranking of 37th. The institutions ranked higher include larger, national lenders, such as Capital One, F.S.B.; American Express Bank F.S.B.; FIA Card Services, N.A. that originate a high volume of smaller loans, typically under a business credit card arrangement.

A review of the bank's lending activity from 2007 to 2009 revealed a decline in both the number of loans originated, as well as the dollar volume. The decline is attributed to the competitive nature of the assessment area, as well as the declining economic conditions that occurred during the evaluation period. As discussed within 'Description of Assessment Area' the unemployment rate within the assessment area increased significantly, and this weakened economy certainly

contributed to the lower volume. However, despite these demographic and economic constraints, BNE still managed to originate a majority of its loans within the area.

### ***Home Mortgage Lending***

As reflected in Table 7, the bank originated 18 home mortgage loans totaling \$8.8 million inside its assessment area in 2007, representing 75.0 percent by number and 79.5 percent by dollar amount. However, in 2008 BNE originated only 7 home mortgage loans totaling \$2.4 million inside its assessment area, representing 25.9 percent by number and 32.3 percent by dollar amount. In 2009 (through June), BNE originated 2 home mortgage loans totaling \$1.7 million inside its assessment area, representing 40.0 percent by number and 44.7 percent by dollar amount. Overall, a majority of the bank's home mortgage loans was extended outside of its assessment area, and as a result, is an area in need of improvement.

While the declining volume and decreasing assessment area percentage is a concern, the following information must also be considered.

- The bank's primary lending focus is commercial real estate and commercial and industrial loans. Prior to the Mortgage Division, most residential loans were simply originated as an accommodation to existing commercial borrowers.
- BNE purchased home mortgage loans during the evaluation period; however, in most cases, the loans were secured by properties outside of the assessment area.
- BNE faces significant lending competition in the assessment area.
- Certain demographic and economic constraints, including the cost of housing and the declining economy, negatively affected the residential housing market.

### **Geographic Distribution**

The geographic distribution of loans was reviewed to assess the bank's performance in addressing credit needs throughout its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the bank's geographic distribution of small business and home mortgage loans reflects reasonable dispersion throughout the assessment area.

### ***Small Business Lending***

Overall, the bank's small business loan distribution is considered adequate. Table 8 contains the bank's small business lending performance by census tract, and also reflects the percentage of businesses operating within each census tract category.

<b>Table 8 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2007 Commercial Businesses</b>		<b>2008 Commercial Businesses</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>2,964</b>	<b>5.2</b>	<b>3,272</b>	<b>5.3</b>	<b>3</b>	<b>4.5</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>9,284</b>	<b>16.3</b>	<b>10,236</b>	<b>16.6</b>	<b>8</b>	<b>11.9</b>	<b>11</b>	<b>42.3</b>
<b>Middle</b>	27,382	48.0	29,366	47.7	37	55.2	10	38.5
<b>Upper</b>	17,423	30.5	18,695	30.4	19	28.4	5	19.2
<b>N/A</b>	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>57,053</b>	<b>100.0</b>	<b>61,569</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>

*Source: Based on 2007 and 2008 Dun & Bradstreet; 2007 and 2008 bank small business lending records*

As depicted in Table 8, 3 loans, or 4.5 percent, were originated in low-income census tracts in 2007. The bank's performance was slightly below the percentage of businesses located in the low-income tracts, at 5.2 percent. The bank also originated 8 loans in moderate-income census tracts, at 11.9 percent, which is also below the percentage of businesses located in the moderate-income census tracts. Both percentages are considered adequate in light of the competition within the area.

In 2008, BNE did not originate any small business loans in any of its low-income census tracts; however, did originate 11 loans, at 42.3 percent, in the moderate-income census tract, significantly exceeding the percentage of businesses located in the moderate-income census tracts. While the lack of loans within the low-income tracts is a concern, the performance within the moderate-income tracts, on a percentage basis, is quite good.

In 2009, BNE originated 10 small business loans, with 4 of the 10 secured by collateral located in low- and moderate-income census tracts. While it is acknowledged that this data represents only a partial year, the numbers indicate BNE's willingness to serve its low- and moderate-income tracts.

### ***Home Mortgage Lending***

The bank's distribution of home mortgage loans is considered reasonable, in light of the fact that BNE's primary lending focus is commercial lending. Table 9 represents the distribution of home mortgage loans by income category of the census tract for 2007 and 2008, and provides information about the 2007 aggregate data and the percentage of owner-occupied housing units within each census tract category.

<b>Table 9 – Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>% of Total Owner- Occupied Housing Units</b>		<b>2007 Aggregate Lending Data</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>2,622</b>	<b>1.4</b>	<b>638</b>	<b>2.4</b>	<b>2</b>	<b>11.1</b>	<b>1</b>	<b>14.3</b>
<b>Moderate</b>	<b>17,789</b>	<b>9.5</b>	<b>3,350</b>	<b>12.4</b>	<b>9</b>	<b>50.0</b>	<b>3</b>	<b>42.9</b>
<b>Middle</b>	101,865	54.4	14,181	52.3	5	27.8	1	14.3
<b>Upper</b>	64,975	34.7	8,907	32.9	2	11.1	2	28.5
<b>N/A</b>	-0-	0.0	6	(negligible)	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>187,251</b>	<b>100.0</b>	<b>27,082</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>

*Source: United States Census (2000); 2007 and 2008 HMDA LARs; and 2007 peer mortgage data*

As noted in Table 9, the bank originated 2 loans, or 11.1 percent, of its home mortgage loan originations in the low-income census tracts in 2007. The bank's performance significantly exceeded both the aggregate percentage, at 2.4 percent, and the percentage of owner-occupied housing units, at 1.4 percent. Within the moderate-income census tracts, BNE originated 9 loans, at 50.0 percent, again significantly exceeding the aggregate percentage and the percentage of owner-occupied housing units.

Analysis of the 2008 data once again revealed a reduced number of loans; however, on a percentage basis, BNE's performance was considered quite good. In 2009 (through June) the bank originated two home mortgage loans, with one loan located in a moderate-income census tract.

Please note that the bank's favorable percentages are tempered by the small number of total originations. However, given the bank's lending focus and competition in the assessment area, the bank's performance is considered reasonable.

## **Borrower Profile**

The distribution of loans predicated on business revenue and borrower income was reviewed to determine the extent to which the bank is addressing the credit needs of its assessment area's small business customers and residents. BNE's performance represents reasonable penetration among businesses of different sizes. The bank did not collect income data on a majority of its home mortgage loans; therefore, the analysis was limited. Overall, the bank's performance represents reasonable penetration.

### ***Small Business Lending***

The bank has a reasonable distribution of small business loans to businesses of different revenue sizes. Table 10 contains the bank's small business lending within the assessment area, by GAR of the business, and compares BNE's performance with 2007 and 2008 business demographic data.

<b>Table 10 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>								
<b>Gross Annual Revenues  (000s)</b>	<b>2007 Commercial Businesses</b>		<b>2008 Commercial Businesses</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	<b>37,473</b>	<b>65.7</b>	<b>39,690</b>	<b>64.5</b>	<b>57</b>	<b>85.1</b>	<b>19</b>	<b>73.1</b>
<b>&gt; \$1,000</b>	3,806	6.7	3,778	6.1	10	14.9	7	26.9
<b>Revenues N/A</b>	15,774	27.6	18,101	29.4	-0-	0.0	-0-	0.0
<b>Total</b>	<b>57,053</b>	<b>100.0</b>	<b>61,569</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>

*Source: 2007 and 2008 bank small business lending records; 2007 and 2008 Dun & Bradstreet Data*

As the data in Table 10 indicates, the bank originated 57 small business loans (85.1 percent) to businesses with GARs of \$1 million or less in 2007. The bank's performance exceeded the percentage of businesses located in the assessment area within this revenue category. In 2008, BNE originated 19 loans to businesses with GARs of \$1 million or less, again exceeding the percentage of businesses located in the area. Given the competitive lending environment within the assessment area, as well as weakened economy, the bank's performance is considered adequate.

In 2009 (through September), the bank originated 4 of its 10 small business loans to businesses with GARs of \$1 million or less.

The bank's small business lending performance was also analyzed by loan size. This analysis is based on the premise that smaller businesses and start-ups typically have a need for smaller dollar loans. As reflected in Table 11, BNE did a reasonable job of granting smaller dollar business loans.

Table 11 – Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2007 Bank Lending Data		2008 Bank Lending Data	
	#	%	#	%
≤ \$100	16	23.9	7	26.9
> \$100 ≤ \$250	29	43.3	10	38.5
> \$250 ≤ \$1,000	22	32.8	9	34.6
<b>Total</b>	<b>67</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>

Source: 2007 and 2008 bank small business lending records

As reflected in Table 11, BNE originated greater than 60 percent of its small business loans in amounts less than or equal to \$250,000, in both 2007 and 2008. This performance highlights the bank's commitment to serve the credit needs of small businesses located within its assessment area.

### ***Home Mortgage Lending***

As stated previously, borrower income was not available on the majority of the bank's home mortgage loans, and as a result, the level of analysis was limited. Table 12 is included to highlight the bank's performance, as well as the 2007 aggregate data.

Table 12 - Distribution of Home Mortgage Loans by Borrower Income								
Borrower Income Level	Family Distribution by Income Level		2007 Aggregate Lending Data		2007 Bank Lending Data		2008 Bank Lending Data	
	#	%	#	%	#	%	#	%
<b>Low</b>	<b>36,694</b>	<b>18.4</b>	<b>1,596</b>	<b>5.9</b>	<b>-0-</b>	<b>0.0</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>35,298</b>	<b>17.7</b>	<b>5,367</b>	<b>19.8</b>	<b>-0-</b>	<b>0.0</b>	<b>-0-</b>	<b>0.0</b>
<b>Middle</b>	48,660	24.4	8,133	30.0	-0-	0.0	1	14.3
<b>Upper</b>	78,774	39.5	10,786	39.8	1	5.6	2	28.6
<b>N/A</b>	-0-	0.0	1,200	4.5	17	94.4	4	57.1
<b>Total*</b>	<b>199,426</b>	<b>100.0</b>	<b>27,082</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>

Source: 2000 United States Census data; 2007 and 2008 HMDA LARs; and 2007 peer mortgage lending data

## **Response to CRA Complaints**

A review of FDIC records, as well as the Public File maintained by the bank pursuant to CRA regulations, disclosed no CRA-related complaints. BNE maintains a formal policy to handle complaints, if necessary.

## **COMMUNITY DEVELOPMENT TEST**

BNE's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area. The bank met these needs by providing community development loans, qualified investments and grants, and community development services.

### **Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been afforded consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

BNE made a reasonable level of community development loans during the evaluation period by originating eight community development loans totaling approximately \$7.4 million, with seven loans originated in its assessment area. This activity represents a 25.0 percent decrease by number and a 73.2 percent decrease by dollar amount from the prior evaluation period. Community development loans represented approximately 1.8 percent of the bank's total loans.

Of the seven loans originated, four, equating to \$3.9 million, benefited the New Hampshire assessment area, and two loans for \$667,744 benefited the Massachusetts portion of the assessment area. One loan totaling \$1 million provided benefits to the bank's entire assessment area.

The following items include the community development loans extended during the evaluation period within the assessment area:

- In 2007, BNE extended a \$152,744 loan to a limited-liability company that was created in 2007 to acquire and rehabilitate affordable housing properties located in a low-income census tract in Lawrence, Massachusetts. The units were targeted to low- and moderate-income individuals and households.
- In 2008, BNE extended a \$1 million construction-to-permanent loan to a for-profit realty trust. The purpose of the loan was to construct a 10-unit, handicap accessible, apartment building in Manchester, New Hampshire. A total of 5 units were approved for Section 8 housing and the remaining 5 units are potentially eligible for the Section 8 designation.
- In 2008, BNE extended a \$170,000 temporary financing, residential construction loan to a for-profit realty trust to renovate a three-unit residential structure into a three-unit

residential condominium located in a moderate-income census tract in Manchester, New Hampshire. The three units are targeted to low- or moderate-income individuals or households.

- In 2008, BNE extended a \$515,000 loan to a non-profit corporation to pay-off existing debt with the Massachusetts Housing Partnership. The loan is secured by 73 single-room-occupancy (SRO) units located in a low-income census tract in Lawrence, Massachusetts. The SRO Program provides rental assistance for homeless persons.
- In 2009, BNE originated a \$1 million construction loan to a non-profit organization located in a low-income census tract in Lawrence, Massachusetts. The loan was to refinance existing first mortgage indebtedness; fund capital improvements of a camp located in Meredith, New Hampshire (Massachusetts residents primarily attend); and provide energy improvements to the site located in Lawrence. The non-profit organization primarily benefits low- and moderate-income individuals.
- In 2009, BNE originated a \$2.5 million construction loan to a non-profit organization located in a moderate-income census tract in Manchester, New Hampshire. This organization primarily serves children and young adults from low- and moderate-income households. The funds were granted to renovate and add to an existing structure (clubhouse), enabling the organization to serve an additional 1,000 members. The bank also originated a \$200,000 revolving line of credit to the same organization for working capital.

The following is a summary of the community development loan that was originated during the evaluation period, but was outside the assessment area:

- In 2008, BNE extended a \$1.8 million loan to a limited-liability company for the construction of 21 units of multi-family housing in a moderate-income census tract located in Boston. The loan was originated through the Boston Redevelopment Authority, which strives to develop affordable housing units. A total of five units were designated as Section 8 housing.

Additionally, BNE originated loans that, in some instances, had a broader community development purpose. Many of these loans were afforded consideration as small business loans; therefore, further consideration pursuant to this section is precluded. The loans nonetheless provided tangible benefits to the community and surrounding areas at large.

## **Qualified Investments**

BNE generated an adequate level of qualified investments, grants, and donations in its assessment area.

This analysis evaluates the bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity; (2) the responsiveness to credit and community development needs; (3)



community development initiatives; and (4) the degree to which the qualified investments are not routinely provided by private investors.

### ***Investment and Grant Activity***

The bank currently has a total of \$2.7 million in qualified investments, consisting of 70 investments involving affordable housing, mortgage-backed securities, and venture capital type investments and grants. BNE has 10 traditional investments totaling approximately \$2.5 million, which equates to approximately 0.54 percent of total assets, as of June 30, 2009. Approximately 87.3 percent of the investments (excluding donations and grants) were new, representing a significant increase from the prior evaluation. The bank's performance exceeded the two similarly-situated financial institutions (total dollar amount invested).

Two traditional investments, representing \$306,000, benefited the New Hampshire assessment area; one investment totaling \$500,000 benefited the Massachusetts portion of the assessment area; and four investments totaling \$1.4 million benefited the entire assessment area. A total of three investments, equating to \$324,364, were made prior to the current evaluation. These investments remain on the bank's balance sheet, and as a result, received consideration during the evaluation. It should be further noted that these investments benefited the New Hampshire portion of the bank's assessment area.

The following list includes a brief discussion of the qualified investments originated by BNE during the current evaluation period.

- *Manchester Housing and Redevelopment Authority (MHRA)*: In April 2007, the bank invested \$56,000 in this non-profit housing authority. In addition to owning and managing 1,271 public housing apartments for low-income families, elderly persons, and adults with disabilities, MHRA provides housing subsidies for over 1,800 households through the administration of the Section 8 Housing Choice Voucher Program. The current book value of this investment is \$53,943. This entity serves the New Hampshire portion of the bank's assessment area.
- *Massachusetts Business Development Corporation (Series VV)*: In June 2007, the bank invested \$137,432 in this business development entity. This corporation has been recognized locally and nationally as a leader and innovator in business lending and capital investment. Its mission is to provide funds to new and growing companies in the New England area, inclusive of the bank's assessment area in both Massachusetts and New Hampshire. The current book value is \$137,432.
- *Fannie Mae CRA Mortgage-Backed Securities*: In November 2007, the bank purchased a qualified CRA investment in the form of CRA Mortgage-Backed Securities (MBS). The MBS was purchased from Fannie Mae, which created a pool of single family mortgage loans originated in New Hampshire and Massachusetts. The amount of the initial investment was \$1,067,169. The MBS consisted of five affordable, single-family, housing loans, three of which are secured by properties located in the bank's assessment area. The loans are to low- and moderate income borrowers and the properties are located in low- and moderate-income census tracts. The investment benefited both the New Hampshire and Massachusetts portion of its assessment area. The bank sold the investment in February 2009.

- *Massachusetts Business Development Corporation (WW)*: In July 2009, the bank invested \$95,918 in this business development entity. Its mission is to provide funds to new and growing companies in the New England area, including small businesses, inclusive of the bank's assessment area in both Massachusetts and New Hampshire. The current book value is \$95,918.
- *Massachusetts Business Development Corporation*: In September 2009, the bank invested \$116,375 in this business development enterprise. Its mission is to provide funds to new and growing companies in the New England area, including small businesses, inclusive of the bank's assessment area in both Massachusetts and New Hampshire. The current book value is \$116,375.
- *New Hampshire Community Loan Fund*: In September 2009, the bank invested \$250,000 in this non-profit organization. This fund serves as a catalyst, leveraging financial, human, and civic resources to enable traditionally underserved people (i.e., low- or moderate-income) to participate more fully in New Hampshire's economy by providing loans, capital, and technical assistance. The current book value is \$250,000. This entity provides benefits to the New Hampshire portion of the bank's assessment area.
- *CRA Fund Advisor*: In September 2009, the bank invested \$500,000 in a CRA Qualified Investment Fund (Ginnie Mae REMIC 2009-60). The underlying collateral consists of 14-units of affordable housing for the disabled located in a moderate-income census tract in Lawrence, Massachusetts. The majority of the units benefit low- or moderate-income individuals. A total of 12 of the 14-units receive Section 8 assistance. The current book value is \$500,000. This investment benefits the Massachusetts portion of the bank's assessment area.

The bank also made investments that were originated prior to the current evaluation period that currently have outstanding book values as follows;

- *Manchester Housing and Redevelopment Authority (MHRA)*: In May 2005 the bank invested \$30,000 and in May 2006 invested \$48,000, with current book values of \$28,488 and \$45,876, respectively.
- *New Hampshire Community Loan Fund*: In September 2005, the bank invested \$250,000 with a current book value is \$250,000.

BNE also granted 60 qualified community development cash donations totaling \$191,026 during the evaluation period and were allocated to organizations that provide educational services, affordable housing, youth programs, and health and human services to individuals of limited income. Annual levels of qualified grants were \$115,093 in 2007; \$51,916 in 2008; and \$24,017 in 2009 (through October). These figures represent 1.4 percent (2007); 2.1 percent (2008); and 1.2 percent (2009), of pre-tax net operating income, respectively. The bank's performance exceeded that of one similarly-situated bank, but was below another. BNE's performance, relative to grants/donations, is considered more than reasonable. Qualified donations/grants represent approximately 51.7 percent by number and 82.1 percent by dollar amount of the total donations extended from the bank, during the evaluation period.

Approximately 28 grants and donations, totaling \$135,972, benefited Massachusetts-related organizations, and 32, equating to \$55,054, benefited the New Hampshire portion of the bank's

assessment area. Although some of the organizations receiving donations from the bank do not qualify as community development entities (pursuant to CRA definitions), the donations nonetheless provide significant and tangible benefits to the community.

The following is a sample of the organizations that received donations/grants that were considered qualified investments:

- *Families in Transition*: This non-profit entity's mission is to provide safe, affordable housing and comprehensive social services to homeless individuals and families in the New Hampshire portion of the bank's assessment area.
- *Boys & Girls Club of Manchester*: This non-profit entity's mission is to reach out to all youth, especially those who need immediate financial assistance. Over 50.0 percent of this entity's members are derived from single-parent households and 42.0 percent come from households with annual incomes below \$22,000. This entity is located in a moderate-income census tract and serves predominantly low- and moderate-income households in the New Hampshire portion of the bank's assessment area.
- *Boys & Girls Club of Lawrence*: This entity is located in a low-income census tract and serves predominantly low- and moderate-income households in the Massachusetts portion of the bank's assessment area.
- *New Hampshire Community Development Finance Authority (NHCDFA)*: BNE made a significant donation to this entity in exchange for tax credits. The bank receives an investment tax credit on its state tax bill of 75.0 percent of the amount of the donation. In order to qualify for a tax credit, a project or entity must meet strict community development guidelines. These important donations were made in an effort to support the NHCDFA's objective to expand affordable housing or employment opportunities, or to produce other economic activities that will benefit low- and moderate-income persons.
- *Boys & Girls Club of Haverhill*: This non-profit entity's mission is to reach out to all youth, especially those who need immediate assistance. The bank made a substantial donation to this organization. This entity is located in a moderate-income census tract and serves predominantly low- and moderate-income households. This entity serves the Massachusetts portion of the bank's assessment area.
- *Big Brothers Big Sisters of Manchester*: This non-profit organization has been matching area children with volunteer mentors since 1966. A majority of this organization's clientele are derived from low-income households. The organization is physically located in a moderate-income census tract in Manchester, New Hampshire. This organization provides benefits to New Hampshire area residents.

### **Community Development Services**

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance.

BNE provides a reasonable level of community development services throughout its assessment area. There are no material differences, relative to services provided in the New Hampshire or Massachusetts portions of the bank's assessment area.

### ***Miscellaneous information and services***

- The bank maintains nine offices, three of which are located in moderate-income census tracts; three in middle-; and three in upper-income tracts. The bank's branch locations are generally commensurate with the assessment area configuration and in relationship to the percentage of total households.
- BNE participates in the Interest on Lawyers' Trust Accounts (IOLTA) program, which requires lawyers and law firms to establish interest-bearing accounts for client deposits. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. The bank currently has 44 accounts totaling \$13 million. Approximately 25 accounts totaling \$1.7 million benefit the New Hampshire portion of the bank's assessment area. A total of 19 accounts equating to \$11.4 million benefit the Massachusetts portion of the assessment area.
- BNE continues to support numerous non-profit organizations involved in social services and business development by allowing the use of the bank's two community rooms located in Manchester and Salem, New Hampshire. The Boy & Girls Club of Manchester and the Make a Wish Foundation are two of the organizations utilizing bank-owned facilities.

### ***Educational Seminars***

- BNE employees representing all bank offices made at least 18 Money Smart educational presentations during the evaluation period. The following highlight some of the organizations that participated: Memorial High School (Manchester); Salem High School (Salem); Harborside Connections Center (Nashua); Southern New Hampshire University (Manchester); Boys & Girls Club of Lawrence; The Haverhill Boys Club; Webster House (Manchester); Girls Inc. (Manchester); New Searles Elementary School (Nashua); and The Upper Room (Derry). As noted, presentations benefited the entire assessment area and the bank's level of participation is noteworthy.
- A bank employee participated in the Volunteer Income Tax Assistance (VITA) program in Manchester, New Hampshire. Trained volunteers typically provide tax-related services to low-income persons; elderly individuals; and people speaking limited English.

### ***Community Development Services – Employee and Officer Participation***

Bank officers and employees expended numerous hours during the evaluation period providing technical and financial expertise, relative to activities that had community development as its primary purpose. BNE personnel served as directors, board members, committee members, and volunteers of numerous community development organizations providing services such as fundraising, budgeting, organizational oversight, governance/planning, and lending expertise. Employees were reasonably active participants in both the New Hampshire and Massachusetts portions of its assessment area.

The following represent a sample of the types of community development services provided by various bank personnel during the evaluation period.

- *Nashua Soup Kitchen and Shelter:* This non-profit organization is dedicated to providing shelter and food to those in need. The overall objective of the agency is to advocate, create, and operate programs and services that promote self-sufficiency for those served.

A bank officer provided technical assistance, in the form of financial advice, to this organization.

- *Webster House*: This non-profit organization serves the greater Manchester area, and provides a safe haven for children unable to live at home. A majority of the clientele is considered low- or moderate-income. A bank officer was a member of the finance committee during the evaluation period.
- *Heritage United Way*: This non-profit agency, located in Manchester, New Hampshire, is committed to investing in the most critical needs of the community. These include education and lifelong learning; health and wellness; and housing and economic self-sufficiency. A majority of the people utilizing this organization's services are considered low- and moderate-income. A bank officer was a committee member.
- *Boys and Girls Club of Lawrence*: This non-profit entity's mission is to reach out to all youth, especially those who need immediate assistance. Located in a low-income census tract the organization serves predominantly low- and moderate-income households. A bank officer was a Board member.
- *Boys & Girls Club of Manchester*: Over 50.0 percent of this entity's members are derived from single-parent households and 42.0 percent come from households with annual incomes below \$22,000. This organization is located in a moderate-income census tract and serves predominantly low- and moderate-income households. The bank President is a Board and Committee Member.
- *Pelham Good Neighbor Fund*: This organization was established in 1969 by Pelham, New Hampshire residents who wanted to provide food and financial assistance to those in need. A majority of the program recipients are low- or moderate-income. A bank officer was a Board member of this organization.
- *The Upper Room*: This non-profit organization is A Family Resource Center dedicated to providing financial educational services to individuals and households in Southern New Hampshire and Northern Massachusetts. While these services are available to all, with no income guidelines and irrespective of an individual's ability to pay, the majority of the program recipients are low- or moderate-income. A bank officer served as a Board member of this organization.
- *The Salvation Army of Manchester*: This organization is dedicated to providing critical services to the less fortunate in terms of food, clothing, and shelter. A bank officer provided technical assistance, in the form of financial advice, to this organization.
- *Easter Seals New Hampshire*: This non-profit organization, located in Manchester, provides services to ensure that all people with disabilities or special needs and their families have equal opportunities to succeed. A majority of the recipients are low- or moderate-income. In 2008, this organization served 29,000 individuals of all ages and provided nearly \$4.1 million in free and reduced-price services to children and adults in need. A bank officer provided technical assistance to this organization.
- *Catholic Charities of Manchester*: This non-profit organization strives to reduce poverty, support families, and empower communities. The Manchester office is located in a moderate-income census tract. A bank officer provided technical expertise to this organization.

## **FAIR LENDING**

There was no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. A review of lending policies and procedures as well as approved and denied credit applications did not reveal any evidence of prohibited discriminatory or other illegal credit practices.

## **METROPOLITAN AREAS**

### **SCOPE OF THE EVALUATION**

The scope of the evaluation is similar to the overall scope discussed previously.

### **DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE BOSTON, MASSACHUSETTS CONSOLIDATED METROPOLITAN STATISTICAL AREA (CMSA)**

As previously noted, the bank maintained nine offices in the Boston, Massachusetts CMSA during the evaluation period.

### **DESCRIPTION OF THE BOSTON, MASSACHUSETTS CMSA**

IBBEA requires separate discussions of CRA performance in metropolitan areas. However, considering that the Boston, Massachusetts CMSA includes 157 of the 159 of the bank's total delineated census tracts, the analyses in the overall section accurately captures the bank's CMSA performance. The two census tracts not included in the CMSA are upper-income tracts located in Hooksett, New Hampshire and represent 1.3 percent of the total assessment area census tracts.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

When considering the bank's CRA performance in the CMSA please refer to the bank's overall performance, discussed previously.

## **STATE OF NEW HAMPSHIRE CRA EVALUATION**

**CRA RATING FOR New Hampshire<sup>1</sup>: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

A CRA rating of "Satisfactory" is assigned to the bank's performance within the New Hampshire assessment area (NHAA). BNE maintained a satisfactory record of helping to meet the credit needs of the NHAA, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Similar to the overall assessment, the New Hampshire rating is based on the results of two performance tests: the Lending Test and the Community Development Test; the bank achieved "Satisfactory" performance ratings under each test.

### **SCOPE OF EXAMINATION**

In accordance with the provisions of IBBEA, the bank must be evaluated on an overall basis, as well as separately within both New Hampshire and Massachusetts, since the bank maintains branch offices in both states.

The scope of the examination was similar to the scope defined in the overall section. The only difference is that this segment of the evaluation concentrated on the bank's performance in serving the needs of assessment area residents and businesses in New Hampshire.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE**

In addition to the main office located at 31 Pelham Road, BNE operates five branch offices located in the counties of Hillsborough and Rockingham in New Hampshire. The office locations are as follows: Salem; Londonderry; Windham; Bedford; Manchester; and Nashua. A total of two branch offices are located in moderate-income census tracts located in Manchester and Nashua. A total of three offices are located in middle-income census tracts and one office is located in an upper-income census tract. There were no branches opened or closed in New Hampshire during the current evaluation period. All bank offices are considered full-service branches, equipped with Automatic Teller Machines (ATMs) and drive-up facilities.

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<sup>1</sup>For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.



## **DESCRIPTION OF ASSESSMENT AREA (NHAA)**

As noted previously, the NHAA consists of portions of Rockingham, Hillsborough, and Merrimack counties. The Rockingham County segment consists of 18 census tracts located in the Rockingham County-Strafford County, New Hampshire MD (40484). The Hillsborough County segment consists of 65 census tracts located in the Manchester-Nashua, New Hampshire MSA (31700). The Merrimack County segment consists of 2 census tracts located in the non-MSA portion of New Hampshire.

### ***Geographies***

The NHAA consists of 17 cities or towns, comprising 85 census tracts. There are 2 low-income census tracts; 21 moderate-income geographies; 37 middle-income geographies; and 25 upper-income tracts.

### ***Population***

Based on 2000 U.S. Census data, the total population of the NHAA is 431,578, representing approximately 56.5 percent of the total assessment area population.

### ***Business Data***

According to 2008 Dun & Bradstreet business geodemographic data, there are approximately 38,528 businesses operating within the NHAA. This represents approximately 62.6 percent of total businesses operating in the bank's entire assessment area. The breakdown by census tracts is as follows: 751 business, or 2.0 percent, are in low-; 7,459, or 19.4 percent are in moderate; 17,479, or 45.4 percent, are in middle-; and 12,839, or 33.2 percent, are in upper-income census tracts. When analyzed by size, 64.0 percent of all businesses have GARs of \$1 million or less, which are considered small businesses for the purposes of this analysis.

### ***Family Distribution***

There are 113,280 families residing within the NHAA, representing 56.8 of all families residing in the bank's total assessment area. A total of 15.7 percent are low-; 17.7 percent are moderate-; 25.9 percent are middle-; and 40.7 percent are upper-income. A total of 37,852 families are considered low- and moderate-income families.

Consideration is also given to the distribution of families by income level, when compared to the adjusted MFI for the Manchester, New Hampshire MSA; Rockingham County-Strafford County, New Hampshire MD; and the non-MSA portion of New Hampshire. The data was provided in the previous sections.

### ***Housing***

Housing units within the NHAA total 166,559, of which 107,660 (64.6 percent) are owner-occupied; 53,916 (32.4 percent) are occupied rental units; and 4,983 (3.0 percent) are vacant. The breakout of all owner-occupied units is as follows: 0.6 percent in low-; 9.5 percent in moderate-; 48.0 percent in middle-; and 41.9 percent in the upper-income tracts. Approximately 57.7 percent of the overall assessment areas' housing units are located in New Hampshire.

### ***Housing Prices***

According to the 2000 U.S. Census, the median housing value in the NHAA was \$139,038. This number has increased considerably since 2000. Median housing prices were addressed in more depth in the overall section of this evaluation.

### ***Unemployment***

This topic was addressed in detail in the overall section of this evaluation.

### ***Economic Conditions***

Please refer to the overall section of this evaluation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE**

### **LENDING TEST-NHAA**

#### **Loan-to-Deposit Ratio**

BNE's LTD ratio in New Hampshire is considered reasonable. The majority of the factors utilized to evaluate the overall LTD, discussed previously, also apply to the LTD ratio for the State of New Hampshire. The actual LTD ratio, as of June 30, 2009 for the six New Hampshire offices is 74.1 percent. The bank's LTD ratio is below the New Hampshire Host State LTD average ratio of 92.0 percent; however, pursuant to Section 109, a bank's statewide LTD must be at least 50.0 percent of the host State LTD; therefore BNE meets the established criteria in New Hampshire.

#### **Assessment Area Concentration**

This performance criterion measures the percentage of the bank's lending that benefits assessment area residents and businesses and evaluates the adequacy of such lending. BNE originated a majority of its small business and home mortgage loans within its assessment area. The bank's performance demonstrates a satisfactory responsiveness to assessment area credit needs.

As illustrated in Table 13, the bank originated a total of 141 small business and home mortgage loans in New Hampshire, totaling \$44 million during the evaluation period. Of these loans, 75.9 percent by number and 73.1 percent by dollar volume were originated within the New Hampshire portion of the bank's assessment area.

<b>Table 13</b> <b>Distribution of Loans Inside and Outside of the NHAA</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ (000)	%	\$ (000)	%	
2007 Small Business	56	77.8	16	22.2	72	13,734	72.0	5,347	28.0	19,081
2008 Small Business	24	80.0	6	20.0	30	6,288	83.6	1,234	16.4	7,522
2009 Small Business	5	71.4	2	28.6	7	1,035	66.4	525	33.6	1,560
<b>Subtotal</b>	<b>85</b>	<b>78.0</b>	<b>24</b>	<b>22.0</b>	<b>109</b>	<b>21,057</b>	<b>74.8</b>	<b>7,106</b>	<b>25.2</b>	<b>28,163</b>
2007 Home Mortgage	17	77.3	5	22.7	22	8,525	79.0	2,269	21.0	10,794
2008 Home Mortgage	4	57.1	3	42.9	7	1,613	63.6	924	36.4	2,537
2009 Home Mortgage	1	33.3	2	66.7	3	1,100	40.7	1,600	59.3	2,700
<b>Subtotal</b>	<b>22</b>	<b>68.8</b>	<b>10</b>	<b>31.2</b>	<b>32</b>	<b>11,238</b>	<b>70.1</b>	<b>4,793</b>	<b>29.9</b>	<b>16,031</b>
<b>Grand Total</b>	<b>107</b>	<b>75.9</b>	<b>34</b>	<b>24.1</b>	<b>141</b>	<b>32,295</b>	<b>73.1</b>	<b>11,899</b>	<b>26.9</b>	<b>44,194</b>

Source: 2007, 2008, and 2009 HMDA LARs. 2007, 2008, and 2009 bank small business lending records

### ***Small Business Lending***

BNE originated 56 small business loans, totaling \$13.7 million inside its NHAA in 2007, representing 77.8 percent by number and 72.0 percent by dollar amount. In 2008, BNE originated 24 small business loans within its NHAA, representing 80.0 percent by number and 83.6 percent by dollar volume. In 2009 (through September), five small business loans were originated in the NHAA totaling approximately \$1 million, representing 71.4 percent by number and 66.4 percent by dollar amount.

As noted previously, BNE elected not to report its small business loans; however, had the bank reported in 2007, BNE would have achieved an approximate market share ranking of 24th. Given this information, coupled with the bank's ability to maintain generally consistent percentages within the assessment area, the bank's performance is considered adequate.

### ***Home Mortgage Lending***

BNE originated 17 home mortgage loans totaling \$8.5 million inside its assessment area in 2007, representing 77.3 percent by number and 79.0 percent by dollar amount. In 2008, BNE originated only 4 home mortgage loans totaling \$1.6 million inside its assessment area, representing 57.1 percent by number and 63.6 percent by dollar amount. Through June of 2009, BNE originated 1 home mortgage loan totaling \$1,100,000 inside its assessment area, representing 33.3 percent by number and 40.7 percent by dollar amount. There were no substantial differences when analyzing data by product type for each year.

The decline in loan volume from 2007 to 2008 is a concern; however, it should be reminded that the bank's primary lending focus is commercial loans. In addition, the bank operates in a highly competitive lending environment, and the bank's ability to originate a majority of its loans within the assessment area, in both 2007 and 2008, is considered adequate.

### **Geographic Distribution**

The geographic distribution of loans was reviewed to assess the bank's performance in addressing credit needs throughout its NHAA. The primary focus of this analysis was to assess

the bank's loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the bank's geographic distribution of small business and home mortgage loans reflects a reasonable dispersion throughout the assessment area.

### ***Small Business Lending***

Overall, the bank's small business loan distribution is reasonable in relation to the percentage of commercial businesses operating within the NHAA. Table 14 depicts the distribution of small business loans by income category of the census tract.

<b>Table 14 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2007 Commercial Businesses</b>		<b>2008 Commercial Businesses</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>679</b>	<b>1.9</b>	<b>751</b>	<b>1.9</b>	<b>2</b>	<b>3.6</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>6,764</b>	<b>19.0</b>	<b>7,459</b>	<b>19.4</b>	<b>7</b>	<b>12.5</b>	<b>11</b>	<b>45.8</b>
<b>Middle</b>	16,281	45.7	17,479	45.4	29	51.8	9	37.5
<b>Upper</b>	11,939	33.4	12,839	33.3	18	32.1	4	16.7
<b>N/A</b>	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>35,663</b>	<b>100.0</b>	<b>38,528</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

*Source: Based on 2007 and 2008 Dun & Bradstreet; 2007 and 2008 bank small business lending records*

As depicted in Table 14, BNE originated 2 loans, or 3.6 percent, in the NHAA's low-income census tracts. The bank's performance exceeded the percentage of commercial businesses located in the low-income tracts, at 1.9 percent. The bank also originated small business loans in 5 of 21 moderate-income census tracts; however, BNE's performance was below the percentage of commercial businesses located in the moderate-income census tracts, at 19.0 percent.

In 2008, the bank did not originate any small business loans within the area's 2 low-income census tracts; however, BNE's performance within the moderate-income tracts, on a percentage basis, significantly exceeded the percentage of businesses located in the moderate-income census tracts.

Through September 2009, BNE originated 5 small business loans, with 1 originated in a low-income tract and 1 in a moderate-income tract.

### ***Home Mortgage Lending***

As depicted in Table 15, the bank's home mortgage loan distribution is considered reasonable, considering home mortgages are not BNE's primary lending priority

<b>Table 15 – Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>% of Total Owner- Occupied Housing Units</b>		<b>2007 Aggregate Lending Data</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>646</b>	<b>0.6</b>	<b>244</b>	<b>1.0</b>	<b>1</b>	<b>5.9</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>10,228</b>	<b>9.5</b>	<b>2,814</b>	<b>11.6</b>	<b>9</b>	<b>52.9</b>	<b>3</b>	<b>75.0</b>
<b>Middle</b>	51,677	48.0	11,311	46.8	5	29.4	1	25.0
<b>Upper</b>	45,109	41.9	9,812	40.6	2	11.8	-0-	0.0
<b>N/A</b>	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>107,660</b>	<b>100.0</b>	<b>24,181</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: United States Census (2000); 2007 and 2008 HMDA LARs; and 2007 peer mortgage data*

In 2007, BNE originated one loan, or 5.9 percent, of its total home mortgage loan originations in a low-income census tract. The bank's percentage exceeded both the aggregate market (1.0 percent) and the percentage of owner-occupied housing units (0.6 percent). The bank's performance within the moderate-income census tracts also exceeded the aggregate and the percentage of owner-occupied housing units.

Although the bank's performance in 2008 was generally commensurate with that of 2007; it did not originate any loans in the low-income census tracts. However, the bank, at 75.0 percent, exceeded both the aggregate market and the percentage of owner-occupied housing units located in the moderate-income census tracts

In 2009 (through June) the bank originated five home mortgage loans, two of which were located in moderate-income census tracts. The remaining home mortgage loans were secured by properties located in middle- and upper-income census tracts.

It is important to note that the bank's performance was tempered based on the small number of home mortgage loans originated.

### **Borrower Profile**

The distribution of loans based on business revenue and borrower income was reviewed to determine the extent to which the bank is addressing the credit needs of the area's small business customers and residents. BNE's performance, relative to lending to small businesses of different sizes and borrowers of different incomes, is considered reasonable.

### ***Small Business Lending***

The bank has a reasonable penetration of small business loans to businesses of different revenue sizes. The data utilized for this analysis is presented in Table 16.

<b>Table 16 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>								
<b>Gross Annual Revenues (000s)</b>	<b>2007 Commercial Businesses</b>		<b>2008 Commercial Businesses</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	#	%	#	%	#	%	#	%
<b>≤ \$1,000</b>	<b>23,264</b>	<b>65.2</b>	<b>24,663</b>	<b>64.0</b>	<b>49</b>	<b>87.5</b>	<b>17</b>	<b>70.8</b>
<b>&gt; \$1,000</b>	2,380	6.7	2,352	6.1	7	12.5	7	29.2
<b>Revenues N/A</b>	10,019	28.1	11,513	29.9	-0-	0.0	-0-	0.0
<b>Total</b>	<b>35,663</b>	<b>100.0</b>	<b>38,528</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

*Source: 2007 and 2008 bank small business lending records; 2007 and 2008 Dun & Bradstreet Data*

As depicted in Table 16, in 2007, the bank originated 49 small business loans, or 87.5 percent of this category of loans for that year, to businesses with GARs of \$1 million or less. The bank's performance significantly exceeds the percentage of commercial businesses (65.2 percent) located in the NHAA.

In 2008, the bank originated 17 small business loans, or 70.8 percent of total loans, to businesses with GARs of \$1 million or less. The bank's performance exceeds the 64.0 percent of commercial businesses located in the assessment area.

In 2009 (through September), the bank originated five small business loans in the NHAA, of which two were to businesses with GARs of \$1 million or less.

The bank's small business lending performance was also analyzed by loan size. As depicted in Table 17, BNE did a reasonable job of granting smaller dollar business loans.

<b>Table 17 – Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size (000s)</b>	<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	#	%	#	%
<b>≤ \$100</b>	13	23.2	7	29.2
<b>&gt; \$100 ≤ \$250</b>	24	42.9	8	33.3
<b>&gt; \$250 ≤ \$1,000</b>	19	33.9	9	37.5
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>

*Source: 2007 and 2008 bank small business lending records*

The data contained within Table 17 validates the bank's commitment to serve the credit needs of small businesses located within its NHAA.

### ***Home Mortgage Lending***

As noted previously, the bank did not obtain income information for the majority of its 2007 and 2008 home mortgage loans; therefore any analysis is quite limited. Table 18 is provided for information purposes, and includes the distribution of home mortgage loans by borrower income, and the 2007 aggregate data.

<b>Table 18 - Distribution of Home Mortgage Loans by Borrower Income</b>								
<b>Borrower Income Level</b>	<b>Family Distribution by Income Level</b>		<b>2007 Aggregate Lending Data</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>17,813</b>	<b>15.7</b>	<b>1,271</b>	<b>5.3</b>	<b>-0-</b>	<b>0.0</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>20,039</b>	<b>17.7</b>	<b>4,221</b>	<b>17.5</b>	<b>-0-</b>	<b>0.0</b>	<b>-0-</b>	<b>0.0</b>
<b>Middle</b>	29,387	25.9	6,655	27.5	-0-	0.0	-0-	0.0
<b>Upper</b>	46,041	40.7	8,721	36.1	1	5.9	1	25.0
<b>N/A</b>	-0-	0.0	3,313	13.6	16	94.1	3	75.0
<b>Total*</b>	<b>113,280</b>	<b>100.0</b>	<b>24,181</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>

*Source: 2000 United States Census data; 2007 and 2008 HMDA LARs; and 2007 peer mortgage lending data*

### **Response to CRA Complaints**

Please refer to the overall performance summary for additional information.

### **COMMUNITY DEVELOPMENT TEST**

BNE's community development performance demonstrates an adequate responsiveness to the community development needs of the NHAA. The bank met these community development needs by providing community development loans, qualified investments and grants, and community development services.

### **Community Development Loans**

BNE made a reasonable level of community development loan during the evaluation period by originating four community development loans, totaling \$3.9 million in the NHAA. Additionally, BNE originated other loans that had a community development purpose, but received consideration within either the small business or home mortgage sections.

Please refer to the overall discussion of community development loans for additional information.

### **Qualified Investments**

BNE generated an adequate level of qualified community development investments and grants in the NHAA.

#### ***Investment and Grant Activity***

Traditional investments were discussed in the overall section of the Public Evaluation. As noted previously, the bank originated two traditional investments totaling \$306,000 in the NHAA. Additionally, a total of three investments equating to \$324,364 made prior to the current evaluation benefited the NHAA.

The bank granted 32 qualified community development donations totaling \$55,054 in the NHAA. Donations and grants are discussed in the overall section.

Please refer to the overall discussion of qualified investments for additional information.

### **Community Development Services**

BNE provides a reasonable level of community development services in the NHAA. Please refer to the overall discussion of community development services for additional information.



# **STATE OF MASSACHUSETTS CRA EVALUATION**

## **CRA RATING FOR Massachusetts<sup>2</sup>: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

A CRA rating of "Satisfactory" is assigned to the bank's performance within the Massachusetts portion of its overall assessment area (MAAA). BNE has a marginally adequate record of helping to meet the credit needs of the MAAA, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The volume of loans within the MAAA is considered low in light of the number of census tracts in the designated assessment area. The bank delineated a MAAA consisting of 74 census tracts.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The bank achieved "Satisfactory" performance ratings under both Tests. A summary of the bank's performance is provided below.

## **SCOPE OF EXAMINATION**

In accordance with the provisions of IBBEA, the bank must be evaluated on an overall basis, as well as separately within both New Hampshire and Massachusetts, as the bank maintains branch offices in both states.

The scope of the examination was similar to that defined in the overall section. The only difference is that this segment of the evaluation concentrated only on the bank's performance in serving the needs of assessment area residents and businesses in the Massachusetts portion of its assessment area.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS**

The bank operates three branch offices located in Essex County, Massachusetts. The office locations are in Andover, Haverhill, and Methuen. One branch office is located in a moderate-income census tract (Haverhill). The Methuen and Andover branch offices are located in middle- and upper-income census tracts, respectively. The Haverhill and Methuen offices were opened in November 2007 during the current evaluation period. No branches were closed during the period. All bank offices are considered full-service branches, equipped with ATMs and drive-up facilities.

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<sup>2</sup>For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **DESCRIPTION OF ASSESSMENT AREA (MAAA)**

As noted previously, the MAAA consists of portions of Essex and Middlesex counties. Within Essex County there are 60 census tracts located in the Peabody, Massachusetts MD (37764) and in Middlesex County there are 14 census tracts in the Cambridge-Newton-Framingham, Massachusetts MD (15764).

### ***Geographies***

The MAAA consists of 13 cities or towns, comprising 74 census tracts. There are 11 low-, 12 moderate-, 37 middle-income, and 14 upper-income tracts.

### ***Population***

Based on 2000 U.S. Census data, the total population of the MAAA is 331,976, representing approximately 43.5 percent of total assessment area population.

### ***Business Data***

According to 2008 Dun & Bradstreet business geodemographic data, there are approximately 23,041 businesses operating within the MAAA. This represents approximately 37.4 percent of total businesses operating in the entire assessment area, with 10.9 percent operating in the low-, 12.1 percent in moderate-, 51.6 percent in middle-, and 25.4 percent in upper-income census tracts. When analyzed by size, 65.2 percent of all businesses have GARs of \$1 million or less.

### ***Family Distribution***

There are 86,146 families residing within the MAAA, representing 43.2 percent of all families residing in the bank's total assessment area. A total of 21.9 percent are low-, 17.6 percent moderate-, 22.3 percent middle-, and 38.2 percent upper-income. A total of 34,048 families are considered low- and moderate-income families.

Consideration is also given to the distribution of families by income level, when compared to the adjusted MFI for the Peabody, Massachusetts MD and the Cambridge-Newton-Framingham, Massachusetts MD. The income figures were disclosed in the overall section of the evaluation.

### ***Housing***

Housing units within the MAAA total 122,075, of which 79,591 (65.2 percent) are owner-occupied; 39,090 (32.0 percent) are occupied rental units; and 3,394 (2.8 percent) are vacant. Of the owner-occupied units, 2.5 percent are in low-, 9.5 percent are in moderate-, 63.1 percent are in middle-, and 24.9 percent are in upper-income tracts. Approximately 42.3 percent of the overall assessment area's housing units are located in Massachusetts.

### ***Housing Prices***

According to the 2000 U.S. Census, the median housing value in the MAAA was \$192,829; however, values have increased considerably since 2000. Median housing prices were addressed in more depth in the overall section of this evaluation.

### ***Unemployment***

This topic was addressed in detail in the overall section of this evaluation.

### ***Economic Conditions***

This topic was also addressed in detail in the overall section of this evaluation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS**

### **LENDING TEST-MAAA**

#### **Loan-to-Deposit Ratio**

BNE's LTD ratio in Massachusetts is considered more than reasonable. The majority of the factors utilized to evaluate the overall LTD, discussed previously, also apply to the LTD ratio for the State of Massachusetts. The actual LTD ratio, as of June 30, 2009, for the three Massachusetts offices combined is 192.0 percent. The bank's LTD ratio significantly exceeds the Massachusetts Host State LTD average ratio, which is 92.0 percent.

#### **Assessment Area Concentration**

This performance criterion measures the percentage of the bank's lending that benefit assessment area residents and businesses and evaluates the adequacy of such lending. Overall, BNE originated a majority of its small business and home mortgage loans within the MAAA. The bank's performance within the MAAA is illustrated in Table 19.

The bank's performance, on a percentage basis, demonstrates an adequate responsiveness to assessment area credit needs; however, the overall volume of loans within the MAAA is considered low.

<b>Table 19</b>										
<b>Distribution of Loans Inside and Outside of the MAAA</b>										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2007 Small Business	11	91.7	1	8.3	12	3,013	83.4	600	16.6	3,613
2008 Small Business	2	33.3	4	66.7	6	409	24.9	1,233	75.1	1,642
2009 Small Business	5	100.0	-0-	0.0	5	1,089	100.0	-0-	0.0	1,089
<b>Subtotal</b>	<b>18</b>	<b>78.3</b>	<b>5</b>	<b>21.7</b>	<b>23</b>	<b>4,511</b>	<b>71.1</b>	<b>1,833</b>	<b>28.9</b>	<b>6,344</b>
2007 Home Mortgage	1	100.0	-0-	0.0	1	285	100.0	-0-	0.0	285
2008 Home Mortgage	3	25.0	9	75.0	12	809	25.7	2,341	74.3	3,150
2009 Home Mortgage	1	50.0	1	50.0	2	639	53.7	551	46.3	1,190
<b>Subtotal</b>	<b>5</b>	<b>33.3</b>	<b>10</b>	<b>66.7</b>	<b>15</b>	<b>1,733</b>	<b>37.5</b>	<b>2,892</b>	<b>62.5</b>	<b>4,625</b>
<b>Grand Total</b>	<b>23</b>	<b>60.5</b>	<b>15</b>	<b>39.5</b>	<b>38</b>	<b>6,244</b>	<b>56.9</b>	<b>4,725</b>	<b>43.1</b>	<b>10,969</b>

Source: 2007, 2008, and 2009 HMDA LARs. 2007, 2008, and 2009 bank small business lending records

### ***Small Business Lending***

As depicted in Table 19, BNE originated 11 small business loans totaling \$3 million inside its MAAA in 2007, representing 91.7 percent by number and 83.4 percent by dollar amount. Table 19 also shows that BNE originated two small business loans within its MAAA in 2008, representing 33.3 percent by number and 24.9 percent by dollar volume. The bank's performance in 2008 would not be considered "Satisfactory". In 2009, BNE originated five small business loans within its MAAA, representing 100.0 percent by number and dollar amount.

### ***Home Mortgage Lending***

BNE originated one home mortgage loan totaling \$285,000 inside its MAAA in 2007, representing 100.0 percent by number and dollar amount. In 2008, BNE originated three home mortgage loans totaling \$809,000 inside its MAAA, representing 25.0 percent by number and 25.7 percent by dollar amount. The bank's performance in 2008 would not be considered satisfactory, relative to home mortgage lending. In 2009 (through June), BNE originated one home mortgage loan totaling \$639,000 inside its MAAA, representing 50.0 percent by number and 53.7 percent by dollar amount. There were no substantial differences when analyzing data by product type.

While a concern, the bank's lack of residential lending, particularly in the MAAA, is mitigated by the following:

- The bank's primary lending focus is commercial real estate and commercial and industrial loans. Prior to the Mortgage Division, most residential loans were simply originated as an accommodation to existing commercial borrowers.
- BNE purchased home mortgage loans during the evaluation period; however, in most cases, the loans were secured by properties outside of the assessment area.
- BNE faces significant lending competition in the assessment area.
- Certain demographic and economic constraints, including the cost of housing and the declining economy, negatively affected the residential housing market.

### ***Geographic Distribution***

The geographic distribution of loans was reviewed to assess the bank's performance in addressing credit needs throughout its MAAA. The primary focus of this analysis was to assess the bank's loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the bank's geographic distribution of small business and home mortgage loans reflects a poor dispersion throughout the MAAA.

### ***Small Business Lending***

The bank's small business loan distribution in the MAAA reflects poor dispersion. Table 20 depicts the distribution of such loans by income category of the census tract.

<b>Table 20 – Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2007 Commercial Businesses</b>		<b>2008 Commercial Businesses</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Low</b>	<b>2,285</b>	<b>10.7</b>	<b>2,521</b>	<b>10.9</b>	<b>1</b>	<b>9.1</b>	<b>-0-</b>	<b>0.0</b>
<b>Moderate</b>	<b>2,520</b>	<b>11.8</b>	<b>2,777</b>	<b>12.1</b>	<b>1</b>	<b>9.1</b>	<b>-0-</b>	<b>0.0</b>
<b>Middle</b>	11,101	51.9	11,887	51.6	8	72.7	1	50.0
<b>Upper</b>	5,484	25.6	5,856	25.4	1	9.1	1	50.0
<b>N/A</b>	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>21,390</b>	<b>100.0</b>	<b>23,041</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

*Source: Based on 2007 and 2008 Dun & Bradstreet; 2007 and 2008 bank small business lending records*

As shown in Table 20, BNE originated small business loans in only 9 of 74 census tracts in its MAAA in 2007. One loan, or 9.1 percent, of all small business loans was originated in a low-income census tract (in Lawrence). The bank's performance was below the percentage of businesses located in the low-income tracts. BNE also originated small business loans in only 1 of the 12 moderate-income census tracts in the MAAA. The bank's performance was once again below the percentage of businesses located in the moderate-income census tracts.

BNE originated small business loans in only 2 of 74 census tracts in its MHAA in 2008. The bank did not originate any small business loans in the low- or moderate-income census tracts.

BNE originated small business loans in 4 of 74 census tracts in 2009 (through September). The bank originated 5 small business loans, of which 1 was located in a low-income census tract and 1 in a moderate-income census tract.

### ***Home Mortgage Lending***

The bank's distribution of home mortgage loans, on a percentage basis, is considered reasonable; however, any performance is tempered by the overall low volume. Table 21 details the bank's performance under this criterion.

<b>Table 21 – Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>% of Total Owner- Occupied Housing Units</b>		<b>2007 Aggregate Lending Data</b>		<b>2007 Bank Lending Data</b>		<b>2008 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>1,990</b>	<b>2.5</b>	<b>743</b>	<b>4.2</b>	<b>1</b>	<b>100.0</b>	<b>1</b>	<b>33.3</b>
<b>Moderate</b>	<b>7,561</b>	<b>9.5</b>	<b>2,410</b>	<b>13.6</b>	<b>-0-</b>	<b>0.0</b>	<b>-0-</b>	<b>0.0</b>
<b>Middle</b>	50,222	63.1	10,599	59.8	-0-	0.0	-0-	0.0
<b>Upper</b>	19,818	24.9	3,961	22.4	-0-	0.0	2	66.7
<b>N/A</b>	-0-	0.0	6	(negligible)	-0-	0.0	-0-	0.0
<b>Total*</b>	<b>79,591</b>	<b>100.0</b>	<b>17,719</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

*Source: United States Census (2000); 2007 and 2008 HMDA LARs; and 2007 peer mortgage data*

As noted in Table 21, the bank originated one loan (100.0 percent) in a low-income census tract and no loans in the moderate-income tracts, in 2007. In 2008, the bank's performance was similar to that of 2007. In 2009, the bank originated one home mortgage loan secured by a property in an upper-income census tract, and no loans in low- or moderate-income tracts.

### **Borrower Profile**

The distribution of loans based on business revenue and borrower income was reviewed to determine the extent to which the bank is addressing the credit needs of its assessment area's small business customers and residents. BNE's performance is considered reasonable.

### ***Small Business Lending***

The bank had a reasonable penetration of small business loans to businesses of different revenue sizes. The data utilized for this analysis is presented in Table 22.

Table 22 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)								
Gross Annual Revenues (000s)	2007 Commercial Businesses		2008 Commercial Businesses		2007 Bank Lending Data		2008 Bank Lending Data	
	#	%	#	%	#	%	#	%
≤ \$1,000	14,209	66.4	15,027	65.2	8	72.7	2	100.0
> \$1,000	1,426	6.7	1,426	6.2	3	27.3	-0-	0.0
Revenues N/A	5,755	26.9	6,588	28.6	-0-	0.0	-0-	0.0
<b>Total</b>	<b>21,390</b>	<b>100.0</b>	<b>23,041</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

Source: 2007 and 2008 bank small business lending records; 2007 and 2008 Dun & Bradstreet Data

As depicted in Table 22, in 2007 and 2008, the bank's percentages to businesses with GARs of \$1 million or less exceeded the percentage of commercial businesses in the MAAA.

In 2009 (through September), the bank originated five small business loans in the MAAA, of which two were to businesses with GARs of \$1 million or less.

The bank's small business lending performance was also analyzed by loan size. As depicted in Table 23, BNE has done a reasonable job of granting smaller dollar business loans.

Table 23 – Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2007 Bank Lending Data		2008 Bank Lending Data	
	#	%	\$ (000s)	%
≤ \$100	3	27.3	-0-	0.0
> \$100 ≤ \$250	5	45.4	2	100.0
> \$250 ≤ \$1,000	3	27.3	-0-	0.0
<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>

Source: 2007 and 2008 bank small business lending records.

Table 23 indicates that BNE is attempting to serve the credit needs of small businesses located within its MAAA.

### ***Home Mortgage Lending***

As noted previously, the bank did not obtain income information for the majority of its 2007 and 2008 home mortgage loans; therefore any analysis is quite limited. Table 24 is provided for information purposes, and includes the distribution of home mortgage loans by borrower income, and the 2007 aggregate data.

Table 24 – Distribution of Home Mortgage Loans by Borrower Income								
Borrower Income Level	Family Distribution by Income Level		2007 Aggregate Lending Data		2007 Bank Lending Data		2008 Bank Lending Data	
	#	%	#	%	#	%	#	%
Low	18,886	21.9	919	5.2	-0-	0.0	-0-	0.0
Moderate	15,162	17.6	3,229	18.2	-0-	0.0	-0-	0.0
Middle	19,169	22.3	4,657	26.3	-0-	0.0	1	33.3
Upper	32,929	38.2	5,840	33.0	-0-	0.0	1	33.3
N/A	-0-	0.0	3,074	17.3	1	100.0	1	33.3
Total*	86,146	100.0	17,719	100.0	1	100.0	3	*100.0(R)

Source: 2000 United States Census data; 2007 and 2008 HMDA LARs; and 2007 peer mortgage lending data; \*Denotes rounding

## Response to CRA Complaints

Please refer to the overall performance summary for additional information.

## COMMUNITY DEVELOPMENT TEST

BNE's community development performance demonstrated an adequate responsiveness to the community development needs of its MAAA during the evaluation period. The bank met these community development needs by providing qualified investments and grants and community development services.

## Community Development Loans

BNE originated a reasonable number and amount of community development loans during the evaluation period by originating two community development loans totaling \$667,744 in the MAAA.

Please refer to the bank's overall performance for additional information.

## Qualified Investments

BNE generated a reasonable level of qualified investments and grants in the MAAA.



***Investment and Grant Activity***

BNE originated one traditional investment totaling \$500,000 that benefited the MAAA during the evaluation period. The bank also granted 28 qualified community development donations totaling \$135,972 during the evaluation.

Please refer to the bank's overall performance for additional information.

**Community Development Services**

BNE provided an adequate level of community development services in the MAAA. Please refer to the bank's overall performance for additional information.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>Bank of New England</b>
<b>SCOPE OF EXAMINATION:</b> Intermediate Small Institution Bank review, including Lending Test and Community Development Test. The IBBEA requires a separate discussion of the bank's performance in the Boston, Massachusetts CMSA. Additionally, the IBBEA mandates that separate CRA ratings be assigned to the bank's CRA performance in New Hampshire and Massachusetts.
<b>TIME PERIOD REVIEWED:</b> October 30, 2006 to October 26, 2009 (generally)
<b>PRODUCTS REVIEWED:</b> HMDA reportable mortgage loans (2007, 2008, and 2009/June). Small business loans (2007, 2008, and 2009/September). Community development loans, qualified traditional investments, and qualified community development services generally from October 30, 2006 to October 26, 2009. Qualified grants and donations (2007, 2008, and 2009/October).

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA:	TYPE OF EXAMINATION:	BRANCHES VISITED:	OTHER INFORMATION:
Entire Assessment Area	Intermediate Small Institution	Methuen	None
Boston, Massachusetts CMSA	Intermediate Small Institution	Methuen	None
State of New Hampshire	Intermediate Small Institution	None	None
State of Massachusetts	Intermediate Small Institution	Methuen	None

## APPENDIX B

SUMMARY OF STATE RATINGS			
STATE OR MULTI-STATE MSA NAME:	LENDING TEST RATING:	COMMUNITY DEVELOPMENT TEST RATING:	OVERALL STATE RATING:
New Hampshire	Satisfactory	Satisfactory	Satisfactory
Massachusetts	Satisfactory	Satisfactory	Satisfactory

## APPENDIX C - GENERAL DEFINITIONS

### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory,

persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## APPENDIX D - INVESTMENT DEFINITIONS

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and

moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.